



Improving Computer Hardware Procurement: Governments Are Enforcing Vendor-Neutral Contract Specifications

Closed government computer hardware procurement practices are illegal and are costing taxpayers hundreds of millions of dollars. Brand specification inhibits market competition, raises prices for computer equipment, limits choice and hurts consumers. Worldwide governmental organizations are recognizing the problem of brand-name specifications and are beginning to put an end to the abuse.

The European Commission noted in a 2004 study that the application of its procurement rules has reduced prices by approximately 30 percent.

The following governments have taken steps to stimulate competition in technology procurement:

Argentina (September 2004)

- The Argentine Government just released new Technological Standards for Public Administration (ETAPs). Prior to the release of the new ETAPs, only a single microprocessor supplier was identified by the National Government in procurement tenders. AMD has now been added as a microprocessor supplier.

Austria (January 2005)

- Austria's Bundeskanzleramt released guidelines that forbid the use of brand names in public tenders as well as other parameters, such as clock rate, that are not directly related to performance. Instead, the Bundeskanzleramt designates that technical specifications should include a general use-based description of the computer, the type of processors it requires and define a minimum benchmark score as performance criteria for the system object of the tender.

Belgium (June 2004)

- The Belgian Government has issued procurement guidelines indicating that the use of trademarks in technical specifications for computers is illegal because of the adverse impact on fair and open competition.

Brazil (March 2005)

- Since 2003, AMD has mounted several successful legal and administrative challenges for government procurement tenders that specified microprocessors manufactured by a single company and excluded AMD products. Because of these challenges, state and federal tenders for computing products increasingly include fair and open specifications that encourage competition. In addition, the Federal Ministry of Planning is working with AMD, Intel and other technology companies to produce new technical standards for computing products that will encourage competition while ensuring best value for government purchases.

Finland (September 2005)

- The Finnish government has issued guidance reminding contracting authorities, that according to the EU procurement rules and the opinion of the EU Commission, technical specifications in the IT sector tenders should not refer to brand names but should instead describe the performance required. For example, combining the clock frequency (MHz) and the number of instructions per clock (IPC) or through benchmarks.

France (March 2004 and April 2005)

- The Ministry of Economy, Finances and Industry in France issued a memorandum which instructs public purchasers of IT equipment to use unbiased technical specifications in tenders. The guidelines prohibit the use of brand names as well as "minimum frequency requirements." The Ministry suggested that agencies use benchmarking as a viable alternative to frequency requirements. In April 2005, the Ministry of Finance also sent a memorandum to all prefects (representatives of the Central government at local level), asking that they monitor and enforce procurement rules in the IT sector among local contracting authorities.

Germany (December 2004)

- The German Federal Government published on the website of the Federal Ministry of Economy and Labor a specific guidance for procurement authorities. The document states that "German and European procurement law prohibit(s) the mentioning of brand names in description of required performance." The document goes on to say that the use of parameters not directly related to technical performance such as the clock rate is equally illegal. Finally, the guidelines recommend the use of benchmarks as a fair indicator of the performance required.

Ireland (September 2005)

- Ireland's National Public Procurement Policy Unit (NPPPU) of its Department of Finance stipulates that "...contracting authorities must avoid the use of restrictive technical specifications...Technical specifications must not refer to a specific brand, source, trade mark, patent...which would have the effect of favoring or eliminating certain undertakings or certain products." Instead, the NPPPU stipulates the use of performance-based benchmark methodologies. In particular, the NPPU requires the use of a predefined score under the benchmark SYSmark® 2004 for all tenders for the supply of computers, while for servers it provides for the use in certain cases also of other more specialized benchmarks.

Italy (October 2004 and December 2004)

- In October, 2004, CNIPA (Italy's government agency with responsibility for procurement policy) issued procurement guidance endorsing SYSmark® 2004 for desktop PCs. In December 2004, CNIPA also issued Notebook and Server Guidelines requesting the use of appropriate benchmarks

Japan (April 2005)

- The Secretariat to the Inter-Ministry/Cabinet Consultative Committee on Information Technology System Procurement issued a memorandum reminding each government ministry and agency to abide by the "Guidance for Preparing Specifications Related to Procurements for Computer Products and Services" which states that IT procurement must be implemented in a manner that maintains transparency and fairness and secures fair competition.

Sweden (March 2004 updated in December 2004)

- Sweden's NOU (the central government agency with oversight of procurement) issued a memo to all procurement agencies that specific products or processes may not be referenced in an effort to ensure that descriptions for tendered goods are in the most neutral terms possible. References that unfairly advantage or disadvantage certain companies should be avoided. Thus, NOU has directed that the principle of non-discrimination between suppliers requires that the contracting authority - to the extent possible - refrain from using specific trademarks or discriminatory technical specifications. Discriminatory technical specifications include specifications such as the clock rate of the microprocessor that are not decisive indicators of performance. In December 2004, NOU issued a reminder to all procurement agencies regarding the principles included in its original memo of March 2004.

United Kingdom (August 2005)

- The Office of Government Commerce (OGC) published an EU Procurement Guidance document which stipulates specific rules for the tendering of computer hardware. These rules demand that the “requirements for microprocessors must exclude any reference to brands (e.g., Intel, AMD), manufacturer-specific processor architectures, trademarks, technology-types or other potentially discriminatory descriptors.” Additionally, specifications must “exclude any reference to minimum processor clock-speeds” as well as a minimum Front Side Bus speed or minimum cache memory size as “such specifications do not directly relate to performance.” Finally, contracting authorities may refer to a minimum score as indicated by an independent benchmark test to measure performance.

United States (April 2005)

- The U.S. Office of Management and Budget released a memorandum to all chief acquisition officers, chief information officers and senior procurement officers in the government requesting that they use objective benchmarks and performance measures for contract specifications, and adhere to the Federal Acquisition Regulation (FAR) requirements restricting the use of brand names.

AMD is committed to working with governments around the world to combat unfair and often times illegal procurement practices in order to improve competition, promote product innovation, and save taxpayers money. To learn more, go to <http://www.amd.com/procurement>.

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